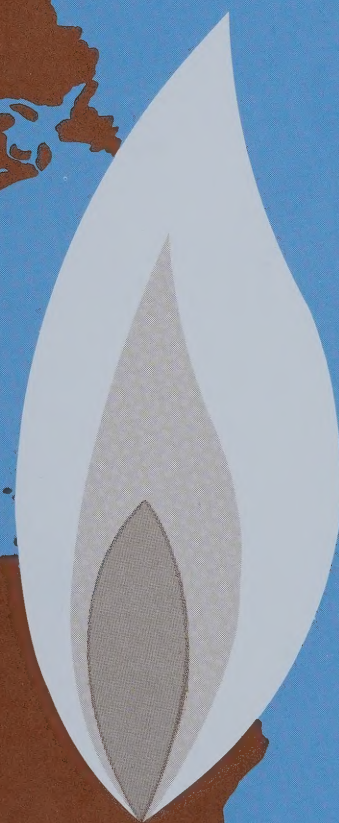


AR27

# 1978 ANNUAL REPORT



PLACE GAS & OIL COMPANY LIMITED



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# PLACE GAS & OIL COMPANY LIMITED

DIRECTORS	J.D.S. Bohme, Q.C., Sir Michael Butler, Bart., Q.C., D.C. Early W.H. German W.D. Gill, M.A., D.Sc., C.R.J. Smith E.H. Smouha P.G. Turner	Toronto, Ontario Victoria, B.C. Toronto, Ontario Montreal, Quebec London, England Toronto, Ontario Geneva, Switzerland Toronto, Ontario
OFFICERS	C.R.J. Smith Sir Michael Butler, Bart., Q.C., J.D.S. Bohme, Q.C., G.H. Weston	<i>President</i> <i>Vice-President</i> <i>Secretary</i> <i>Treasurer</i>
HEAD OFFICE	Suite 1908 — Royal Trust Tower, Toronto, Ontario M5K 1H6	
FIELD OFFICE	Nanticoke, Ontario N0A 1L0	
TRANSFER AGENT & REGISTRAR	Canada Permanent Trust Company, Toronto, Ontario	
AUDITORS	Harbinson, Glover & Co.	

## PLACE GAS & OIL COMPANY LTD. (DELAWARE)

*Wholly owned United States Subsidiary Company*

Suite 48, Daube Building, 5 South Commerce,  
Ardmore, Oklahoma 73401, U.S.A.

## PLACE OIL & GAS COMPANY (U.K.) LIMITED

*Wholly owned English Subsidiary Company*

35 Basinghall Street, London EC2V 5DB, England.



## PRESIDENT'S REPORT

To the Shareholders:

On behalf of the Board of Directors it gives me great pleasure to report the Company's 1978 activities and statement of accounts.

Gas production revenue from Lake Erie for 1978 was \$1,232,798.00 and miscellaneous activities in Lake Erie combined with investment income brought the total revenue to approximately \$1,312,796.00, thereby establishing a consolidated Net Income of \$600,330.00, or earnings of 10.3 cents per share. Although the volume of gas production exceeded the previous year's figures, the main reason for the increase in revenue is attributed to the higher price for gas.

Our United States exploration activity in Oklahoma, conducted through our wholly owned U.S. subsidiary, has met with considerable success. However, regular oil and gas production did not start until 1979 and therefore is not reflected in our 1978 revenues — except for a nominal U.S. production revenue of approximately \$11,000.00.

If the export of gas from Alberta to the United States is authorized in 1979, our capped gas production in the Bantry Field in Alberta could be sold — and this should add to a continued increase in our production revenues.

Successful results from the drilling of the Phillips Aquit Hazen F54 Well to test a large structure on substantial offshore Arctic Island holdings in which we own a 2.647% interest could provide sufficient gas reserves to stimulate marketing activities and greatly enhance the value of the Company's interest in the Arctic Islands.

### Lake Erie

Your Company now holds in good standing offshore Lake Erie, approximately 86,000 acres of natural gas Leases and Licenses of Occupation as follows: —

A 100% Interest in:

Offshore Leases in Lake Erie	25,424.47 Acres
Offshore Licenses of Occupation in Lake Erie	18,132.15 Acres
	<u>43,556.62 Acres</u>

and a 50% Interest in:

Offshore Leases in Lake Erie	16,855.21 Acres
Offshore Licenses of Occupation in Lake Erie	25,979.61 Acres
	<u>42,834.82 Acres</u>

Three new wholly owned gas wells were completed and placed on production last year and one older well was plugged and abandoned. Your Company now owns a 100% interest in 54 commercial gas wells and a 50% interest in 27 commercial gas wells and approximately 35 miles of pipeline gathering system located in the above noted Lake Erie offshore holdings. A Field Base is maintained at Nanticoke, Ontario, near the eastern end of Lake Erie and the Company maintains a complete offshore drilling and production operation which includes tugs, barges and diving teams etc. and one small drilling platform capable of drilling in 40-50ft. of water, so that we are able to drill and work-over our own wells and complete our own underwater pipelining.

The bulk of the gas production is sold through three meter stations located onshore at Port Dover, Selkirk and Port Maitland, Ontario, to Union Gas Limited, a public utility. Our current price at meter stations is approximately \$1.80 per Mcf. Additional gas production from three wells shared with Anschutz (Canada) Exploration Limited is sold through a meter station near Port Maitland, Ontario, to Consumer's Gas Company, another public utility, at a current price of approximately \$1.89 per Mcf.

It is expected that our Lake Erie activities during the 1979 season will concentrate on well workovers and the possible drilling of three new wells. Recoverable gas reserves within our Lake Erie holdings are estimated at approximately 20 billion cu. ft.



### **Alberta**

Your Company participated in the drilling of three wells located in the Bantry area of southeastern Alberta, resulting in two successful gas wells being completed and earned an interest in 5-1/2 sections (3,520 acres). The combined calculated absolute open flow was 51 million cu. ft. of gas per day and reserves were estimated to be 3-1/2 billion cu. ft. of gas. Your Company has a 25% interest in this project until costs are paid out and 12-1/2% thereafter. A further well was drilled in January, 1979 indicating a small gas well, to be completed when sale of production is assured. A contract has been signed with Pan Alberta for the sale of the production subject to an export license being obtained before the end of 1979.

### **Canadian Arctic Islands**

Located in the Sverdrup Basin in the Arctic island, your Company retains a 1.35% interest in approximately 1,130,000 acres on the Sabine Peninsula, Melville Island which includes the bulk of the Drake Gas Field and part of the Hecla Gas Field; also part of the Gas Field located on King Christian Island, (see map).

Certain funds were provided by Pacific Lighting Gas Development Company of California, to pay the costs of drilling wells in the Drake and Hecla Fields etc., in return for a call on the gas, which is repayable only out of 25% of the value of gas, when sold.

Your Company's interest in these proven gas reserves in the Arctic Islands is 1.35% of a possible 10 trillion cu. ft. of gas. Panarctic Oils Limited, the Operator, with most advanced underwater technology, is preparing the Drake and Hecla Fields for gas production, and latest plans are to pipeline from the base of the Sabine Peninsula to the south shore of Melville Island where the gas will be liquefied and transported by L.N.G. tankers down the east coast to Canadian and U.S. markets. The

actual completion of this project is expected in the early 1980's. As further gas reserves are developed, pipelining will be considered.

Also located in the Sverdrup Basin, and in addition to the Company's interest with Panarctic Oils, your Company holds a 2.647% interest in 931,000 acres offshore in the Hazen Strait just northwest of the Sabine Peninsula, Melville Island. This acreage is held 60% Phillips Petroleum Canada Ltd., 25% Aquitaine Company of Canada Ltd., 6.175% Prairie Oil Royalties Company Ltd. (Norcen), 6.175% British Columbia Oil Lands Ltd. (B.P. Canada), 2.647% Place Gas & Oil Company Limited. Extensive geological and geophysical work has established two large structures within these holdings. The Phillips Aquit Hazen F.54 Well, with Panarctic Oils as sub-operator, commenced drilling from an ice platform in February, 1979. In view of the size of the structure being tested, favourable results should have a substantial impact on the economic feasibility of pipelining gas production from the Arctic Islands.

The participants in the F.54 well are: 50% Phillips, 10% Panarctic, 25% Aquitaine, 6.175% B.P., 6.175% Prairie, 2.647% Place.

The Roche Point well drilled in 1978 from an ice platform offshore the Sabine Peninsula, Melville Island and within 28 miles of the F.54 well, was completed as a gas well with considerable condensate from the same formation as the target of the well currently being drilled. Therefore, there is also the possibility of an oil discovery.

As indicated by the accompanying chart, your Company holds varying interests in a total of 2,059,737 acres in the Canadian High Arctic Islands.

# PLACE GAS & OIL COMPANY LIMITED

## Original Arctic Islands Holdings

<u>Location</u>	<u>Operator</u>	<u>Total Acreage</u>	<u>Net % Interest</u>	<u>Permit Numbers</u>
Sabine Peninsula Melville Island	Panarctic Oils Ltd.	689,145	1.35	472, 474 & 477 to 488
King Christian Island	" "	81,356	1.35	503, 506 & 870
Lougheed Island	" "	57,210	1.35	501 & 502
<u>TOTAL Original Holdings</u>		<u>827,711</u> Acres		

## After Acquired Arctic Islands Holdings

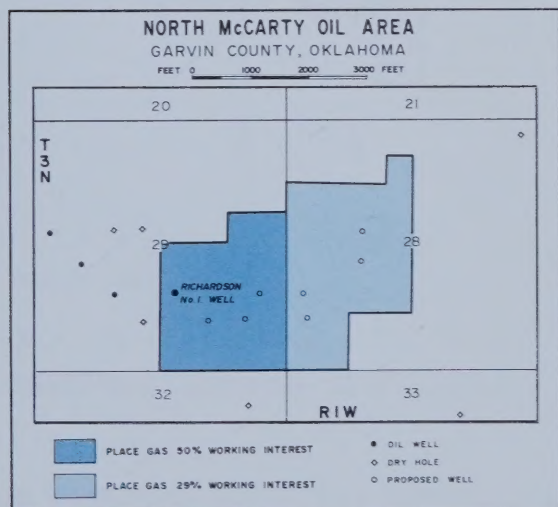
<u>Location</u>	<u>Operator</u>	<u>Total Acreage</u>	<u>Net % Interest</u>	<u>Permit Numbers</u>
West Sabine Peninsula (Hecla Gas Field)	Panarctic Oils Ltd.	30,420	.675	1832
		30,601	.675	2474
		30,148	.675	2473
		15,210	.675	2715 (1/2)
		14,938	.675	3132 (1/2)
		<u>121,317</u>		
East Sabine Peninsula (Drake Gas Field)	Panarctic Oils Ltd.	30,057	.2025	1829
		30,148	.3375	1985
		30,601	.675	701
		30,601	.675	702
		<u>121,407</u>		
North Sabine Peninsula	Panarctic Oils Ltd.	29,151	.54	1568
		29,151	.54	1567
		<u>58,302</u>		
Hazen Strait	Phillips Petroleum	931,000	2.647	2699 to 2714
<u>TOTAL After Acquired Holdings</u>		<u>1,232,026</u> Acres		



# PLACE GAS & OIL COMPANY LIMITED

## Oklahoma and Texas

Through a wholly owned United States Subsidiary, your Company for the first time conducted exploration in the U.S. by participating in the drilling of a number of wells in Oklahoma which resulted in the successful completion of the Hart No. 1 Gas Well in Garvin County, in which your Company holds a 50% interest, with a calculated absolute open flow of over 10 million cu. ft. of gas per day (which will probably produce at the rate of just under 2 million cu. ft. of gas per day), and the completion in 1979 of the Richardson No. 1 Oil Well also in Garvin County. Both of these wells were placed on production in early 1979. The oil well in which your Company holds a 50% interest will probably produce over 100 barrels of 40 gravity crude per day, and there are three offsetting drilling locations on the property in which your Company holds a 50% interest and four possible additional locations in which your Company holds a 29% interest. (see map)



Your Company also acquired a net three-eighths interest in over 1,900 acres of oil and gas leases in Marshall County, Oklahoma and Grayson County, Texas, which are considered to be favourably located in relation to a recent oil discovery from the novaculite formation. The Guilloud No. 1 Well located on a 500-acre Lease in Grayson County, Texas, in which your Company has a one-quarter interest, spudded in February 1979 and is currently drilling. Your Company participated with varying interests in a total of 4 wells, 2 of which proved successful. An aggressive drilling program is planned in 1979 to thoroughly test the newly acquired acreage and develop the proven oil and gas areas.

## Other Interests

Place Oil & Gas Company (U.K.) Limited, our wholly owned Subsidiary, still retains a 15% interest in a Production License in the United Kingdom.

On behalf of the Directors, management sincerely acknowledges the support of its staff and the support and confidence received from its shareholders and co-operation of its exploration associates.

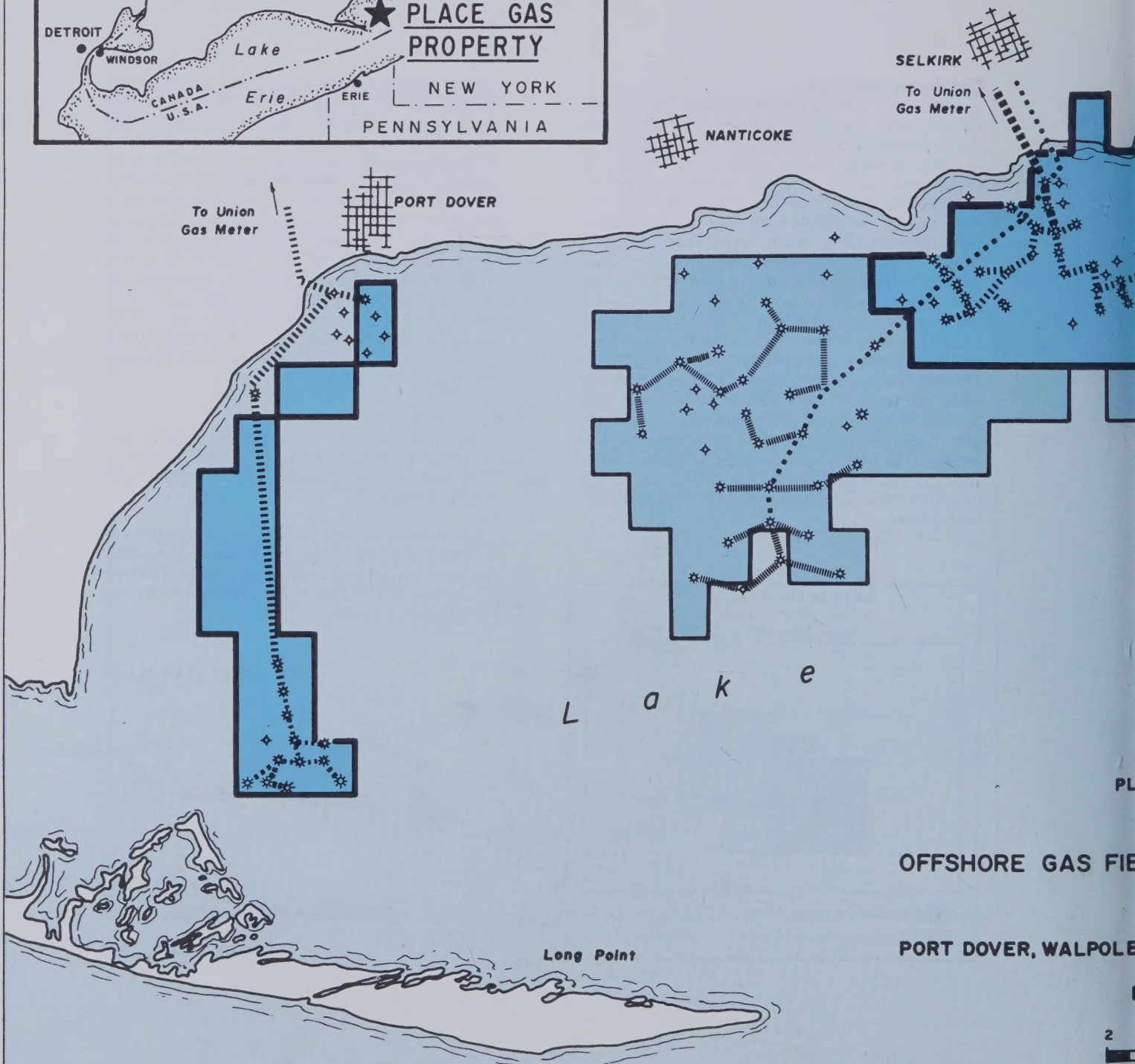
On behalf of the board

CLIFFORD R.J. SMITH  
President and Managing Director

February 28th, 1979



# LOCATION MAP



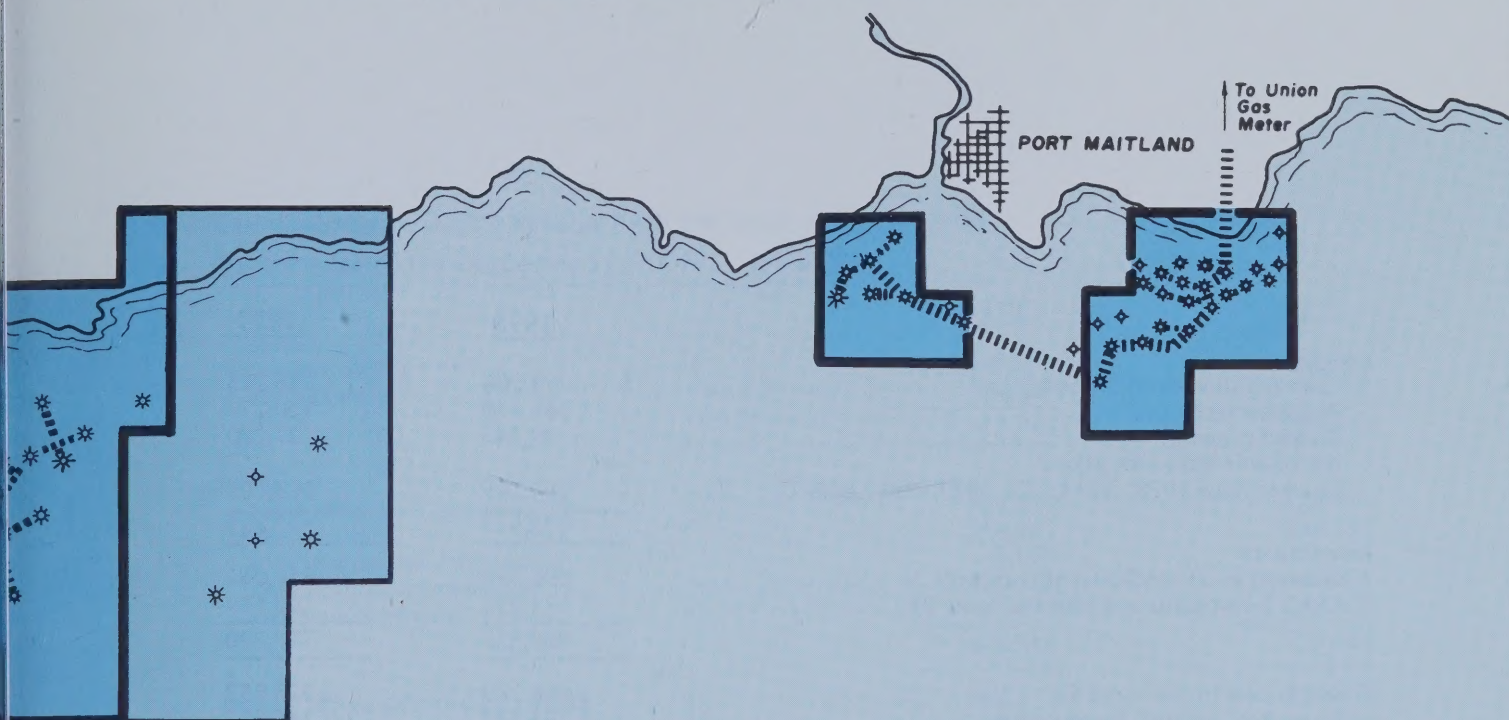
OFFSHORE GAS FIELDS

PORT DOVER, WALPOLE













PLACE GAS & OIL COMPANY LIMITED

COMPANIES INCORPORATED IN CANADA



E r i e

# LEGEND

-  PLACE GAS & OIL CO. LTD. leases and licences
-  PLACE - MITCHELL farmout acreage
-  PLACE - ANSCHUTZ farmout acreage
-  Commercial gas well
-  Abandoned well
-  PLACE 6" pipeline
-  PLACE 3" pipeline
-  PLACE 2" pipeline
-  PLACE - MITCHELL 4" pipeline
-  PLACE - MITCHELL 2" pipeline

PLACE GAS & OIL COMPANY LIMITED

SHOWING THE

GAS AND PIPELINE GATHERING SYSTEMS

IN THE

PORT MAITLAND, RAINHAM AND BELKIRK AREAS

WESTERN LAKE ERIE, ONTARIO



MILES



# PLACE GAS & OIL COMPANY LIMITED

## CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1978

### ASSETS

	<u>1978</u>	<u>1977</u>
Current:		
Cash and short-term deposits .....	\$ 273,205	\$ 236,215
Accounts receivable .....	161,476	120,273
Prepaid expenses .....	39,741	27,290
Marketable securities, at cost (market value 1978 - \$214,333; 1977 - \$217,658) .....	204,105	213,705
	<u>678,527</u>	<u>597,483</u>
Investments:		
Interests in oil syndicates at cost (note 5) .....	696,359	654,631
Other investments and interests (note 2) .....	271,994	62,589
	<u>968,353</u>	<u>717,220</u>
Fixed, at cost (notes 1 and 4) .....	2,948,789	2,523,659
Less: Accumulated depreciation .....	1,265,745	1,145,617
	<u>1,683,044</u>	<u>1,378,042</u>
	<u>\$ 3,329,924</u>	<u>\$ 2,692,745</u>

### LIABILITIES

Current:		
Accounts payable .....	\$ 68,181	\$ 69,846
Amounts payable from future production revenue (note 5) .....	<u>605,351</u>	<u>566,837</u>

### SHAREHOLDERS' EQUITY

Capital stock:		
Authorized:		
8,000,000 Shares of \$1 par value each		
Issued (note 6):		
5,800,007 Shares .....	3,798,632	3,798,632
Deficit .....	<u>1,142,240</u>	<u>1,742,570</u>
	<u>2,656,392</u>	<u>2,056,062</u>
	<u>\$ 3,329,924</u>	<u>\$ 2,692,745</u>

Approved by the Board of Directors

C.R.J. SMITH ..... Director.

P.G. TURNER ..... Director.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



# PLACE GAS & OIL COMPANY LIMITED

## CONSOLIDATED STATEMENT OF INCOME AND DEFICIT for the year ended December 31, 1978

	<u>1978</u>	<u>1977</u>
Revenue:		
Gas and oil	\$ 1,243,697	\$ 923,088
Miscellaneous	69,099	70,792
	<u>1,312,796</u>	<u>993,880</u>
Expenses:		
Head office and administrative	151,237	126,385
Production	294,741	229,582
Exploratory and development	43,877	35,195
Depreciation and depletion	120,129	117,066
Deferred development	—	245,279
	<u>609,984</u>	<u>753,507</u>
Income before extraordinary items	<u>702,812</u>	<u>240,373</u>
Extraordinary items		
Cost of wells abandoned	101,117	27,974
Write-off of other projects and interest	1,365	117,069
	<u>102,482</u>	<u>145,043</u>
Net income for the year	600,330	95,330
Deficit at beginning of the year	<u>1,742,570</u>	<u>1,837,900</u>
Deficit at end of the year	<u>\$ 1,142,240</u>	<u>\$ 1,742,570</u>
Earnings per share:		
Income before extraordinary items	<u>\$ .121</u>	<u>\$ .041</u>
Net income	<u>\$ .103</u>	<u>\$ .016</u>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



# PLACE GAS & OIL COMPANY LIMITED

## CONSOLIDATED STATEMENT OF DEFERRED DEVELOPMENT AND OTHER EXPENSES for the year ended December 31, 1978

	<u>1978</u>	<u>1977</u>
Deferred development and other expenses, beginning of year	\$ —	\$ 245,279
Charged against earnings	—	245,279
Deferred development and other expenses, end of year	<u>\$ —</u>	<u>\$ —</u>

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION for the year ended December 31, 1978

	<u>1978</u>	<u>1977</u>
Source of funds:		
Net income before depreciation and depletion	\$ 720,459	\$ 457,675
Application of funds:		
Investments and advances	212,619	41,515
Fixed assets, net	425,131	205,328
	<u>637,750</u>	<u>246,843</u>
Increase in funds during the year	82,709	210,832
Funds, beginning of the year	<u>527,637</u>	<u>316,805</u>
Funds, end of the year	<u>\$ 610,346</u>	<u>\$ 527,637</u>
Represented by working capital:		
Current assets	\$ 678,527	\$ 597,483
Less: Current liabilities	68,181	69,846
	<u>\$ 610,346</u>	<u>\$ 527,637</u>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### AUDITORS' REPORT

To the Shareholders of  
Place Gas & Oil Company Limited

We have examined the consolidated balance sheet of Place Gas & Oil Company Limited as at December 31, 1978 and the consolidated statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HARBINSON, GLOVER & CO.  
Chartered Accountants.  
Toronto, Ontario.  
February 16, 1979.

# PLACE GAS & OIL COMPANY LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 1978

### 1. Significant Accounting Policies:

#### a) Basis of Consolidation

- (i) These consolidated financial statements include the accounts of the company and its wholly owned United States subsidiary.
- (ii) The United Kingdom subsidiary has surrendered its offshore leases and retains an interest in one land lease, and consequently the company wrote down its investments in the United Kingdom subsidiary to a nominal value of \$1 which it has not consolidated.

#### b) Depreciation

Depreciation is calculated on the straight line method at 10% for buildings and equipment.

#### c) Depletion

Wells, gathering systems and oil and gas rights are depleted by the unit of production method based on estimated proven gas reserves.

### 2. Other Investments and Interests:

Wholly-owned subsidiary (note 1):

Shares, at nominal value	\$ 1
Affiliated companies and other interest, at nominal value	6
Shares in Panarctic Oils Limited, at cost	25,000
Securities on deposit, at cost	5,525
Investment in Sabre Resources Limited (note 3)	60,000
Investment in Anshutz-Place Alberta Exploration	54,494
Investment in Delta-Place Bantry Area of Alberta	126,968
	<u>\$ 271,994</u>

### 3. Interest in Limited Partnership:

Under an agreement dated August 30, 1977, Place Gas & Oil Company Limited is a party to a limited partnership referred to as Sabre Resources Limited and is committed to a further \$40,000 upon call.

### 4. Fixed Assets:

	<u>Asset</u>	<u>Accumulated Depreciation</u>
Land, buildings and equipment	\$ 523,367	\$ 451,808
Petroleum and natural gas interests	131,293	19,699
Producing wells	1,730,740	556,232
Gathering systems	563,389	238,006
	<u>\$ 2,948,789</u>	<u>\$ 1,265,745</u>

### 5. Amounts Payable from Future Production Revenue:

Under an agreement between Pacific Lighting Gas Development Company of California (Pacific) and Place Gas & Oil Company Limited (Place), Pacific agreed to loan Place funds up to a certain limit in order that Place could meet its obligations relating to exploration costs in certain wells in Pan Arctic Oil Syndicate (Syndicate). Pacific thereby acquired the right to purchase from Place its share of any gas which may be produced from the said wells.

The loan, including accrued interest, a total of \$605,351, is to be repaid to Pacific only out of 25% of the revenue from production from wells for which Pacific advanced funds.

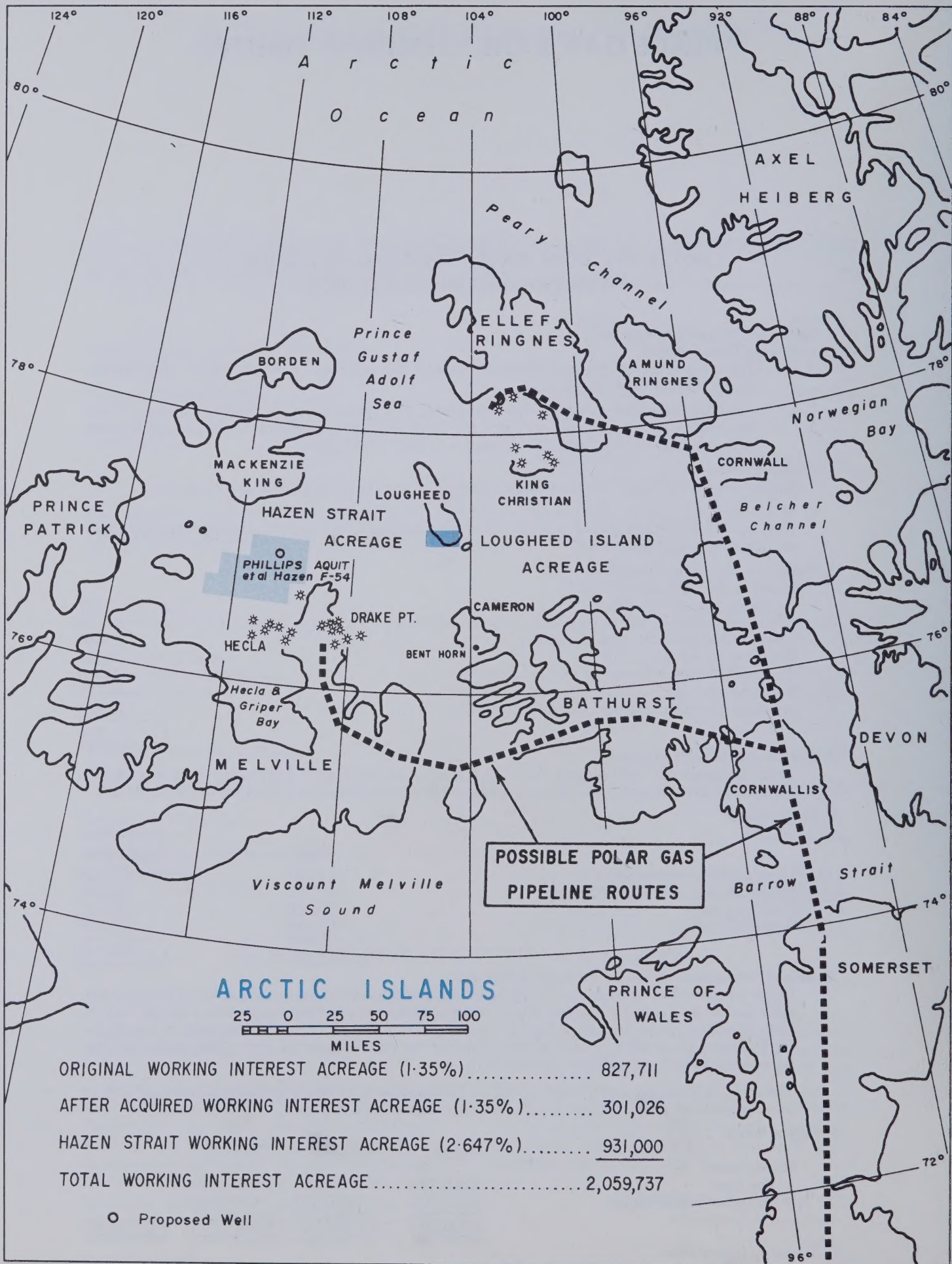
### 6. Capital Stock:

	<u>Shares</u>	<u>Par value</u>	<u>Discount</u>	
Shares issued:				
For cash	3,800,007	\$ 3,800,007	\$ 431,375	
For other consideration	2,000,000	2,000,000	1,570,000	
	<u>5,800,007</u>	<u>\$ 5,800,007</u>	<u>\$ 2,001,375</u>	<u>\$ 3,798,632</u>

### 7. Statutory Information:

Total remuneration received by directors and senior officers of the company for their services amounted to \$135,801 for 1978.

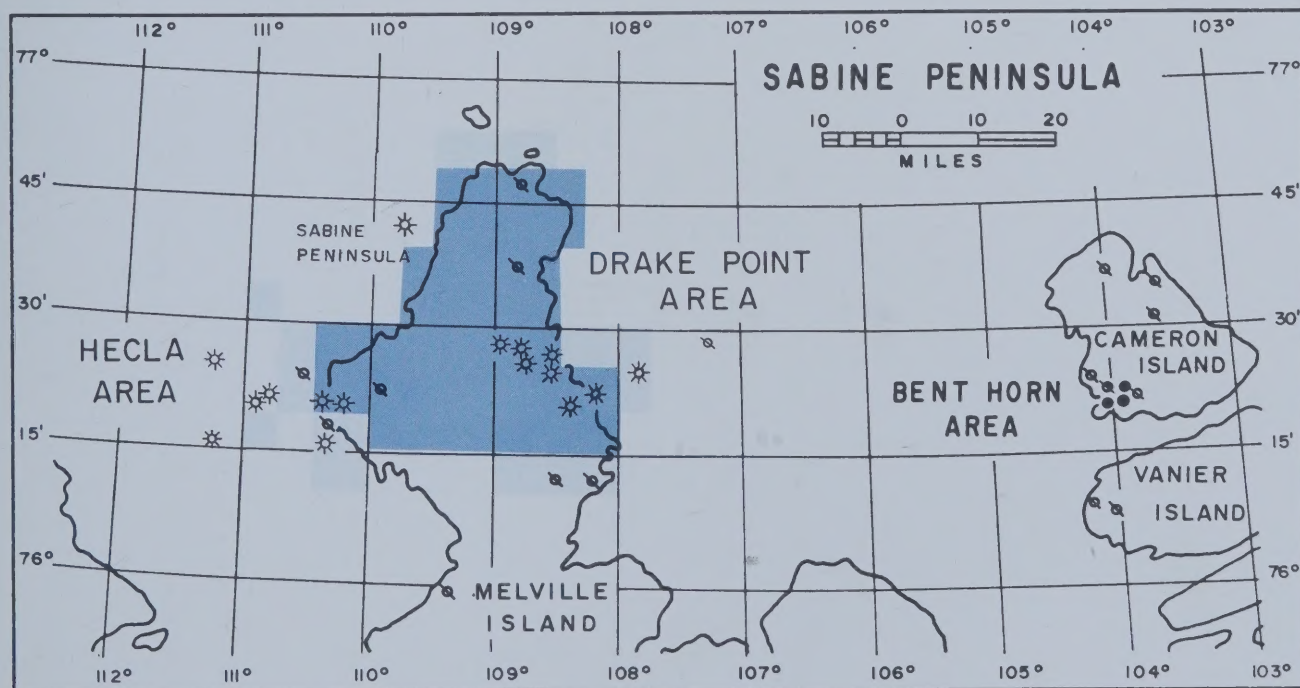






# PLACE GAS & OIL COMPANY LIMITED

## CANADIAN ARCTIC ISLANDS







Suite 1908 — Royal Trust Tower, Toronto, Ontario M5K 1H6